

PRESENTATION BY
SIGECO and Indiana Gas Company d/b/a
**VECTREN ENERGY DELIVERY OF
INDIANA, INC.**

BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION

NATURAL GAS FORUM

AUGUST 9, 2002

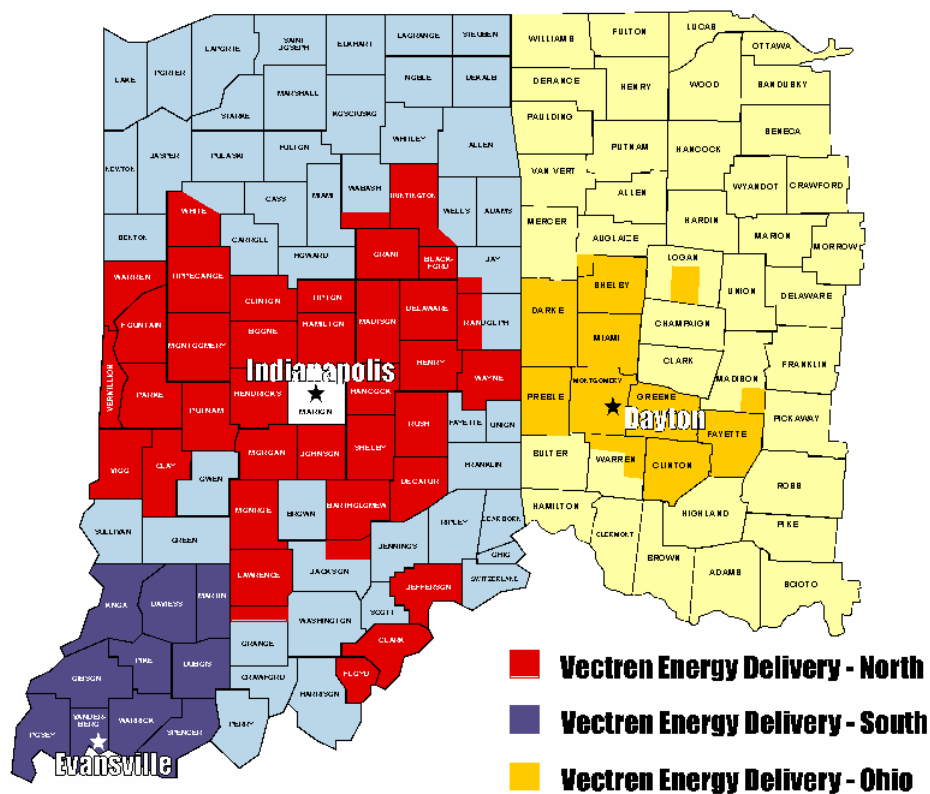
Vectren Employees Attending

- Bill Doty -- Sr. VP Energy Delivery
- Jerry Ulrey -- VP Regulatory Affairs and Fuels
- Bob Heidorn -- VP General Counsel
- Robbie Sears -- Director Customer Service
- Frank Lindsey -- Director Gas Supply
- Mike Roeder -- Director Corporate Communications
- Kathy Humphrey -- Director Government / Public Affairs

Presentation Outline

1. Vectren Energy Delivery Gas Operations Overview
2. Review of 2001-2002 Heating Season
3. Vectren's Gas Procurement Strategy
4. Outlook for 2002-2003 Heating Season

Service Area Map



Gas Operations Overview (MDths)

	VEDI-South (SIGECO)	VEDI-North (Indiana Gas)	Indiana Total	Ohio	Vectren Total
Customers - 2001	110,393	530,188	640,581	311,824	952,405
<u>Annual Demand-2001</u>					
Sales	12,179	63,368	75,547	36,694	112,241
Transportation	19,743	48,931	68,674	18,845	87,519
Total Deliveries	31,922	112,299	144,221	55,539	199,760
Design Day Peak Demand (Sales only)	188.7	938.2	1,126.9	542.5	1,669.4

Monthly Residential Winter Gas Bill Comparison

<u>Winter (Nov-Mar)</u>	<u>VEDI-North (IGC)</u>	<u>VEDI-South (SIGECO)</u>
2001 - 2002	\$100.29	\$79.21
2000 - 2001	\$158.81	\$120.62
Cost Decrease	\$58.52	\$41.41
% Decrease	37%	34%

Energy Assistance Programs

- **Low Income Home Energy Assistance Program (LIHEAP)**
 - Federal funds distributed through local Community Action Program agencies
 - Emergency HEAP assistance to prevent disconnection or assist in reconnection of service
 - Income eligibility requirement of 125% of poverty level

VEDI-North

- **19,703 Customers**
- **\$3,860,107**

VEDI-South

- **13,474 Customers**
- **\$1,861,636**

Energy Assistance Programs

- **Fall Assistance Program**

- **LIHEAP Income Eligibility was required - 125% of poverty level**
- **Vectren funds were available for reconnection or to avoid disconnection for gas and/or electric service**
- **Reconnection Fee was waived**
- **Deposit requirement was waived**
- **Program expired December 31, 2001**

<u>VEDI-North</u>	<u>VEDI-South</u>
<ul style="list-style-type: none">• 3,190 Accounts• \$987,897	<ul style="list-style-type: none">• 2,245 Accounts• \$660,607

Energy Assistance Programs

- **HELP 2001 Program**
 - Goodwill Industries administers funds being made available to help customers avoid disconnection or to reconnect
 - Funds are from Lilly Foundation grant in 2001
 - Income eligibility required
 - 125% - 175% of poverty level
 - Maximum one-time payment of \$300
 - Customers contact Vectren to apply for funds
 - | | |
|---|--|
| <u>VEDI-North</u> <ul style="list-style-type: none">• 1,414 Accounts• \$322,774 | <u>VEDI-South</u> <ul style="list-style-type: none">• 253 Accounts• \$53,464 |
|---|--|

Energy Assistance Programs

- **Share the Warmth**

- Program funds were provided to CAP agencies for LIHEAP customers
- Vectren provided 2002 seed funding of \$500,000
- Vectren committed to match public contributions up to a total cap of \$200,000
- CAP agency's administered fund distribution
- | <u>VEDI-North</u> | <u>VEDI-South</u> |
|---|---|
| <ul style="list-style-type: none">• 1,600 Customers• \$301,175 | <ul style="list-style-type: none">• 1,035 Customers• \$219,664 |

Payment Programs

- **Budget Bill Program**
 - Open enrollment throughout the year
 - Account must be current to enroll
 - Current participation of over 107,000 customers
- **Payment Arrangements**
 - Vectren offers both short-term payment extensions as well as long term payment arrangements to assist customers having difficulty paying a past due bill or to avoid disconnection of service.
- **Deferred Payment Plan**
 - Vectren offers a deferred due date program for senior citizens to coordinate the due date of monthly energy payments with the receipt of monthly Social Security or pension checks.

Proposed Assistance Programs

- Continue Share the Warmth
 - \$500,000 Seed
 - \$200,000 Match of Public Contributions
- Continued Support of LIHEAP program
- Promotion of Budget Bill, Payment Arrangements & Deferred Due Date
- December Bill Credit for IGC Customers of \$6.35M--Estimated at \$6.50/Customer
- Contribute an estimated \$1.04 million for Customer Assistance Programs in 2003, 2004, and 2005

Financial Impacts to Vectren Corporation Due to High Gas Costs

- Interest expense on bank loans to finance higher accounts receivables, unrecovered gas costs, advances through budget billing, gas inventory, etc.
- Uncollectable accounts expense increase
- Funding of low income assistance programs
- Customer education, legal and regulatory costs
- Higher UAF gas costs

Unrecovered Gas Cost Balances (in Millions)

	<u>VEDI-North</u>	<u>VEDI-South</u>	<u>Indiana Total</u>	<u>VEDO-Ohio</u>	<u>Vectren Total</u>
Oct. 31, 2000	\$20,039	\$9,559	\$29,598	\$ 8,156	\$37,754
Mar. 31, 2001	\$55,479	\$29,828	\$85,307	\$28,528	\$113,835
Oct. 31, 2001	\$44,890	\$10,621	\$55,511	\$12,197	\$67,608
Mar. 31, 2002	\$36,077	\$10,521	\$46,598	\$ 7,771	\$54,369
Jun. 30, 2002	\$32,456	\$12,284	\$44,740	\$ 2,892	\$47,632

Portfolio Approach to Gas Acquisition

Customer Winter Deliveries

<u>Component</u>	<u>VEDI- South (%)</u>	<u>VEDI- North (%)</u>	<u>Indiana Total (%)</u>
Advance Purchases	38.9	16.7	20.3%
Storage Withdrawals	39.7	31.4	32.7%
Fixed Subtotal	78.6	48.1	53.0%
FOM Purchases	13.0	5.6	6.8%
Swing Purchases	8.4	46.3	40.2%
Market Subtotal	21.4	51.9	47.0%
Winter Season	100.0%	100.0%	100.0%

Advance Purchases Calendar

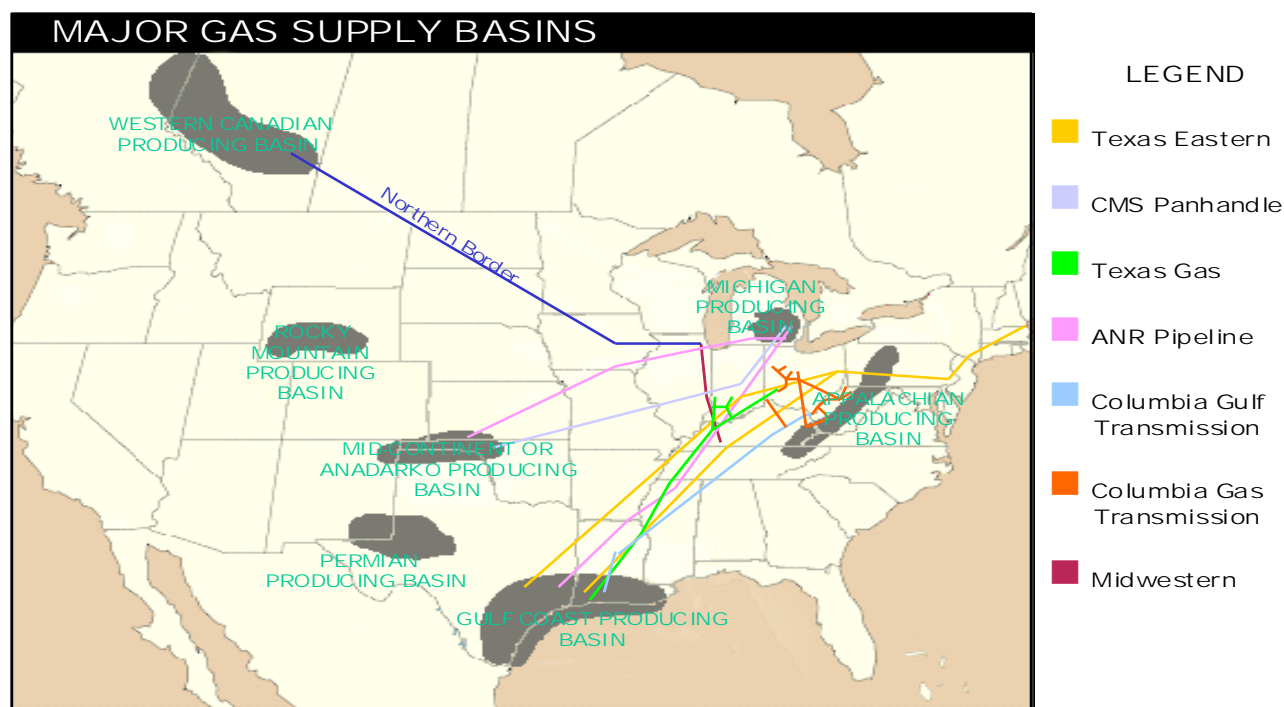
<u>Quarter</u>	<u>Example</u>	<u>% of Base Load Fixed by end of Current Quarter</u>
Current	Jun-Aug 2002	-----
1 st Succeeding	Sep-Nov 2002	75-100%
2 nd Succeeding	Dec 2002-Feb 2003	40-75%
3 rd Succeeding	Mar-May 2003	20-60%
4 th Succeeding	Jun-Aug 2003	10-30%
Thereafter	Sep-Nov 2003	0-15%

Base Load is defined as the non-heat sensitive portion of firm sales plus available storage capacity.

Maximum Seasonal Storage Working Capacity (Bcf)

	<u>VEDI-North</u>	<u>VEDI-South</u>	<u>TOTAL INDIANA</u>
Company Storage	5.04	7.00	12.04
Contract Storage/Delivered Services	18.50	4.21	22.71
TOTAL	23.54	11.21	34.75

Major Gas Supply Basins



Mitigation Effect-Price Fly-Up

- Scenario 1: Gas costs in Current GCA quarter exceed the average cost of the fixed-priced purchases (“fly-up”).

Component	% of Deliveries	Average Price
Advance Purchases	38.9	4.50
Storage Withdrawals	39.7	3.75
FOM Purchases	13.0	7.75
Daily Purchases	8.4	9.00
Total	100.0	5.01

- Market prices of \$7.75 and \$9.00 are mitigated by lower-priced advanced purchases and storage withdrawals to achieve a \$5.01 weighted average price.

Mitigation Effect - Market Drop

- Scenario 2: Gas costs in Current GCA quarter are less than the average cost of the fixed-priced purchases (“market drop”).

Component	% of Deliveries	Average Price
Advance Purchases	38.9	4.50
Storage Withdrawals	39.7	3.75
FOM Purchases	13.0	2.75
Daily Purchases	8.4	3.50
Total	100.0	3.89

- Market prices of \$2.75 and \$3.50 are averaged with higher-priced advanced purchases and storage withdrawals to achieve a \$3.89 weighted average price.

Upcoming Portfolio Enhancements

- IURC Order in Cause No. 37394 GCA50S1
 - Gas Cost Incentive Mechanism (GCIM)
 - Current Market Purchases-FOM and Daily Index
 - Price Volatility Mitigation
 - Financial derivatives - Futures and Options
- Increase VEDI-North hedged winter purchases
- Lengthen time period for Advance Purchases

Factors Impacting 2002-2003 Outlook

- Rig count leveled off
- Gas storage levels are at all time record levels
- Industrial demand still slowed by weaker economy
- Relatively hot summer (thus far) resulting in increased gas demand by electric generation
- Weak El Nino anticipated for the 2002-2003 winter and little hurricane activity to date
- Production levels declining

Current Wellhead Price Projections

	<u>NYMEX</u> *	<u>Proj. A</u> **	<u>Proj. B</u> ***	<u>PROJECTION</u> <u>AVERAGE</u>
Nov. 02	3.261	3.40	3.30	\$3.32
Dec. 02	3.521	3.60	3.70	\$3.607
Jan. 03	3.669	3.65	4.00	\$3.773
Feb. 03	3.642	3.55	4.00	\$3.731
Mar. 03	3.601	3.50	4.00	\$3.701
Winter Average	\$3.539	\$3.54	\$3.80	\$3.626

* 07-31-02 NYMEX Close

** 07-16-02 Proj. A Monthly Briefing

*** 07-24-02 Proj. B - U.S. Gas Market Forecast

Concluding Comments

- Portfolio Approach Effectively Mitigates Volatility
- Additional Portfolio Enhancements Forthcoming
- Consider GCA Pricing Flexibility to Mitigate Gas Cost Under Recoveries
- Assistance Programs in Place for Next Winter
- Current Outlook for Wellhead Prices is Moderate